

Consolidated Statement of Changes in Financial Position

For the six months ended February 28, 1975

	<u>1975</u>	<u>1974</u>
Funds Provided		
<i>Operations</i>		
Vehicle rentals	\$8,654,000	\$7,441,000
Fees from management services	<u>161,000</u>	<u>144,000</u>
	8,815,000	7,585,000
Deduct expenses requiring outlay of funds during the period	<u>1,899,000</u>	<u>1,523,000</u>
Deduct current income taxes	<u>211,000</u>	<u>—</u>
	<u>6,705,000</u>	<u>6,062,000</u>
<i>Borrowed funds</i>		
Net increase in loans of subsidiaries	636,000	421,000
Increase in demand loans	1,229,000	284,000
Repayment of debentures	<u>(1,968,000)</u>	<u>—</u>
	<u>(103,000)</u>	<u>705,000</u>
	<u>\$6,602,000</u>	<u>\$6,767,000</u>
Funds Applied		
Purchase of leased vehicles	\$8,450,000	\$8,776,000
Less proceeds on sale of leased vehicles	<u>2,428,000</u>	<u>2,786,000</u>
	6,022,000	5,990,000
Net additions of miscellaneous fixed assets	31,000	21,000
Investment in associated companies	4,000	28,000
Net change in receivables less payables	598,000	678,000
Dividends paid	<u>73,000</u>	<u>67,000</u>
	<u>6,728,000</u>	<u>6,784,000</u>
Increase (decrease) in cash	<u>(126,000)</u>	<u>(17,000)</u>
	<u>\$6,602,000</u>	<u>\$6,767,000</u>

CanCorp

Peterson, Howell & Heather
(Canada) Limited

of Montreal

PHH
CANADA

Interim Report to Shareholders

For the Six Months to
February 28, 1975

To Our Shareholders:

After making full provision for income taxes, net income for the six months ended February 28, 1975, amounted to \$284,000 or 42¢ per share for an increase of 32.7% on last year's net of \$214,000 or 32¢ per share.

The period was characterized by a relatively slow rate of growth in the number of vehicles under the Company's management and leasing programs. Despite the effect of negative factors in the general economy, net rental income showed an increase of 26.5% over the same period of the previous year. This increase in rental income was due primarily to increases in rental rates which occurred in the latter half of fiscal 1974. Fees from management services amounted to \$161,000 for an increase of 11.8% over the corresponding period last year.

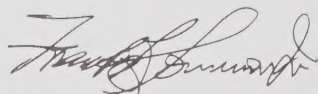
For the six month period, interest expense of \$1,170,000 represented an increase of 21.1%. Other operating expenses increased by \$179,000 or 31.5%. The combined total of interest and operating costs at \$1,917,000 was 25.0% above the year ago total. Your Company's share of the loss on the British operation was \$9,000 as against \$17,000 last year.

The Automotive Services programs for maintenance and tire replacements continued to grow at a brisk pace, registering a 20% increase in Sales over the same period last year. A common 'Service Card' for Canada and the United States was adopted and is now in general use among PHH clients. Diversification plans involve expanding the range of services available under the card to include gasoline purchases, hotel and motel accommodations and daily car rentals.

At the end of March, the company's head office was moved to a new five-story building located on Ile-des-Soeurs (Nun's Island), some five minutes from downtown Montreal. The entire third floor (approximately 13,500 square feet) of 3 Place du Commerce has been leased for a ten-year period. As a result, there is a greatly improved working environment and excellent facilities for anticipated future expansion.

At a director's meeting following the annual general meeting on December 5, 1974, the President, Lloyd P. Rogers succeeded the Chairman, Frank B. Common Jr., Q.C. as chief executive officer of the Company.

Today, your Directors declared a third quarterly dividend of 5 1/2¢ per share payable May 26, 1975 to shareholders of record May 16, 1975. Last year, the regular quarterly dividends were at the rate of 5¢ per share.



Frank B. Common, Jr., Q.C.
Chairman of the Board



Lloyd P. Rogers
President

April 24, 1975

Consolidated Statement of Income

For the six months ended February 28, 1975

	1975	1974
Income from vehicle rentals ✓	\$8,654,000	\$7,441,000 ✓
Less depreciation on leased vehicles	6,321,000	5,597,000
Net rental income	2,333,000	1,844,000
Fees from management services ✓	161,000	144,000 ✓
	2,494,000	1,988,000
Interest expense	1,170,000	966,000
Operating expenses	747,000	568,000
	1,917,000	1,534,000
Income before income taxes	577,000	454,000
Income taxes	284,000	223,000
Net income — Canadian operations	293,000	231,000
Company portion of loss of overseas associated companies	9,000	17,000
Net income for the period ✓	\$ 284,000	\$ 214,000 ✓
Earnings per share ✓	42¢	32¢ ✓

$$\begin{array}{r} 8,654 \\ 161 \\ \hline 8,815 \end{array} \quad \begin{array}{r} 7,441 \\ 144 \\ \hline 7,585 \end{array}$$